

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE CANNONSBURG WATER)
DISTRICT, INC. A WATER DISTRICT ORGANIZED)
PURSUANT TO CHAPTER 74 OF THE KENTUCKY,)
REVISED STATUTES OF BOYD COUNTY, KENTUCKY,)
FOR (1) A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY, AUTHORIZING AND PERMITTING)
SAID WATER DISTRICT TO CONSTRUCT A NEW)
WATERWORKS PROJECT CONSISTING OF TWO WATER) CASE NO. 8806
TANK STORAGE FACILITIES, PUMPING STATIONS)
AND THE NECESSARY DISTRIBUTION SYSTEM AND)
LINES NEEDED TO SERVE WATER TO SAID)
DISTRICT; (2) APPROVAL OF THE PROPOSED)
PLAN OF FINANCING OF SAID PROJECT; AND)
(3) APPROVAL OF THE WATER RATES PROPOSED)
TO BE CHARGED BY THE DISTRICT TO CUSTOMERS)
OF THE DISTRICT)

O R D E R

The Cannonsburg Water District ("Cannonsburg") filed its application on April 8, 1983, for approval of adjustments to its water service rates, authorization to participate in the construction of a 1,000,000-gallon water storage tank and to construct a 100,000-gallon water storage tank, and approval of its plan of financing for this project. Cannonsburg filed its amended application on May 2, 1983, for authorization to participate in the construction of a 1,000,000-gallon water storage tank and approval of its plan of financing for this participation. The planned financing includes a \$146,000 loan from the Bank of Ashland at a variable interest rate based on 85 percent of

the Bank of Ashland's Base lending rate. The minimum rate shall be 8 percent and the maximum rate shall be 15 percent. The repayment period will be 30 years.

Plans and specifications for the proposed improvements as prepared by Woolpert Consultants, of Dayton, Ohio, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

A hearing was held August 25, 1983, in the offices of the Public Service Commission, Frankfort, Kentucky. There were no intervenors and no protests were entered. Mr. James Robinson of the J. W. Moore Company appeared on behalf of Cannonsburg with Cannonsburg's attorney, Mr. Bunyan Wilson.

WATER STORAGE TANK CONSTRUCTION

While Mr. Robinson was in the planning stages for a 1,000,000-gallon water storage tank for Cannonsburg, the Boyd County Fiscal Court ("Fiscal Court") obtained a grant to develop the Paul Coffee Industrial Park ("Industrial Park").^{1/} As part of this development a 300,000-gallon water storage tank was to be constructed by the Fiscal Court^{2/} and ownership turned over to Cannonsburg 1 year after completion.^{3/} After the grant for the Industrial Park was received it was decided by Fiscal Court that both Cannonsburg's water storage needs and the Industrial Park's water storage needs could be consolidated into a joint effort.^{4/} Bids were taken for a 300,000-gallon water storage tank, a 200,000-gallon water storage tank and a 1,000,000-gallon water storage tank. The 300,000-gallon tank was intended to serve

the Industrial Park.^{5/} The 200,000-gallon tank was an alternate size for the Industrial Park. The 1,000,000-gallon tank was intended to serve the needs of both Cannonsburg and the Industrial Park by increasing Cannonsburg's available storage capacity to 24 hours and providing fire protection for Cannonsburg^{6/} as well as serving the Industrial Park.^{7/} However, the proposed 1,000,000-gallon tank will not correct deficiencies in other areas of Cannonsburg's system.^{8/} Cannonsburg requested approval from this Commission for its participation in the construction of the 1,000,000-gallon tank on April 8, 1983. It was estimated that Cannonsburg would save approximately \$100,000 by participating in the construction of the proposed tank rather than constructing its own 1,000,000-gallon tank.^{9/} It was stated at the August 25, 1983, hearing that the tank construction was almost complete and that the 1,000,000-gallon tank was being constructed^{10/} prior to any decision from the Commission in this matter.

SUMMARY

The Commission, after consideration of the application and evidence of record and being advised, is of the opinion and finds that:

1. Public convenience and necessity require that the construction proposed in the application and record be performed and that a certificate of public convenience and necessity be granted.

2. The proposed construction includes a 1,000,000-gallon water storage tank, associated waterlines and miscellaneous appurtenances. The low bids received for this work totaled

\$255,000 which will require a \$146,000 contribution from Cannonsburg.

3. The application and supporting documentation in this matter were not filed in a timely manner by Cannonsburg. This did not allow the Commission adequate time to review and make a decision in this matter prior to the Fiscal Court proceeding with the construction of a water storage tank in the Industrial Park. In the future Cannonsburg should make any filings on its behalf in a timely manner.

4. Any deviations from the construction approved herein which could adversely affect service to any customer should be subject to the prior approval of this Commission.

5. The total project costs for the construction approved on the basis of the bids received March 28, 1983, approximate \$255,000 including fees, contingencies and other indirect costs. Cannonsburg's financing for its participation in the amount of \$146,000 should, therefore, be approved.

6. The proposed borrowing of \$146,000 is for lawful objects within the corporate purposes of Cannonsburg, is necessary and appropriate for and consistent with the proper performance of services to the public by Cannonsburg, will not impair its ability to perform these services and is reasonably necessary and appropriate for such purposes.

7. Cannonsburg should furnish duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administration, etc.) within 60 days of the date the construction is substantially completed.

8. Cannonsburg should require the Industrial Park to furnish this Commission with a copy of the record plans and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the date of substantial completion of this construction.

IT IS THEREFORE ORDERED that Cannonsburg be and it hereby is granted a certificate of public convenience and necessity to proceed with the waterworks project as set forth in the plans and specifications of record herein.

IT IS FURTHER ORDERED that any deviations from the construction approved herein which could adversely affect service to any customer shall be subject to the prior approval of this Commission.

IT IS FURTHER ORDERED that Cannonsburg's plan of financing in the amount of \$146,000, including a 30-year loan of \$146,000 at a variable interest rate based on 85 percent of the Bank of Ashland's lending rate be and it hereby is approved.

IT IS FURTHER ORDERED that Cannonsburg shall file with the Commission duly verified documentation which shows the total costs of the construction herein certificated including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

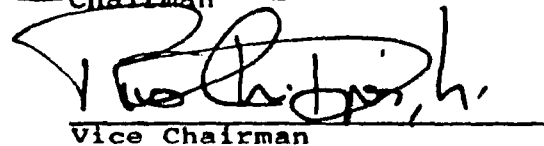
IT IS FURTHER ORDERED that Cannonsburg shall require the Industrial Park to furnish this Commission with a copy of the record drawings and a signed statement that the construction has been satisfactorily completed and done in accordance with the contract plans and specifications within 60 days of the date of substantial completion of the proposed construction.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 14th day of October, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

FOOTNOTES

1. Transcript of Evidence, August 25, 1983, p. 9.
2. Ibid., p. 10, 17.
3. Ibid., p. 9, 17.
4. Ibid., p. 9.
5. Ibid., p. 17.
6. Ibid., p. 9, 18.
7. Ibid., p. 18.
8. Ibid., p. 20.
9. Ibid., p. 28.
10. Ibid., p. 12.